CREATIVENERGY

6 January 2021

Via E-filing

Ms. Marija Tresoglavic
Acting Commission Secretary
BC Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Ms. Tresoglavic –

Re: British Columbia Utilities Commission (BCUC, Commission)
Creative Energy Vancouver Platforms Inc. (Creative Energy)
2021 Revenue Requirements Application (RRA) for the Core Steam System (Application)

Creative Energy writes in reply to Exhibit A-2 in the above noted proceeding to provide the additional information requested by the Commission Panel.

The Panel requests that Creative Energy provide the following:

1. The requested interim and permanent rate increase for 2021 and the overall increase in average rates, after incorporating the BCUC's decisions in Order G-322-20;

2. Rationale for refund/recovery of interim rates with interest based on Creative Energy's WACD rather than the average prime rate of Creative Energy's principal bank for its most recent year as previously approved2 by the BCUC;

3. Table 1 – Core Revenue Requirements Summary – Detailed explanations for variances between 2020 Approved and 2020 Projected; and

4. Table 36 – Core System Capital Additions – Detailed explanations for variances between 2020 Approved and 2020 Projected by project.

Our responses to the numbered items are provided below.

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Item 1: The requested interim and permanent rate increase for 2021 and the overall increase in average rates, after incorporating the BCUC's decisions in Order G-322-20

The BCUC's decision under Order G-322-20 does the change the request for approval of 2021 rates. As shown in the tables below, the final decision into the 2020 RRA increases the average 2020 rate and thus reduces the comparative percentage increase in the average 2021 rate based on the Core 2021 RRA.

2020 Average Rate	2021 Average Rate per RRA	Increase in Average Rate
$8.13	$8.69	6.9%

Rate Tier	2020 Final Rate	% increase	2021 Proposed Rate
First 50M pounds of steam per month	$10.94	6.9%	$11.70
Next 150M pounds of steam per month	$9.26	6.9%	$9.91
Next 800M pounds of steam per month	$8.20	6.9%	$8.77
Remainder per month	$6.50	6.9%	$6.95

Item 2: Rationale for refund/recovery of interim rates with interest based on Creative Energy's WACD rather than the average prime rate of Creative Energy's principal bank for its most recent year as previously approved by the BCUC

Creative Energy acknowledges that the BCUC has previously approved to use the average prime rate of Creative Energy's principal bank for the most recent applicable year, and we have not considered that to be a material issue. The rationale to use WACD, however, is based on the fact that the average prime rate does not reflect the interest rate that Creative Energy actually pays. The WACD is an overall better approximation given that WACD factors in interest rate risk. A short-term interest rate of 3.5 percent as utilized for reconciliation of Creative Energy's one-year deferral accounts may also be appropriate.

Item 3: Table 1 – Core Revenue Requirements Summary – Detailed explanations for variances between 2020 Approved and 2020 Projected

Please refer to the following table.

RRA Summary	2020 Approved	2020 Projected	Variance	Variance Description
O&M - Total	5,094,228	5,089,545	(4,683)	
Wages and Benefits (Steam, Distribution & Mgmt.)	2,966,181	3,024,994	58,813	This variance is explained primarily to Creative Energy's Distribution team spending comparatively more time on the Core system and less time on other systems compared to budget, which accounts for $50,633 of the variance overall.
Water-related and Electricity Expenses	991,046	921,066	(69,980)	Water and electricity costs are primarily a function of demand for steam. Projected water costs are approximately $38,000 lower based on lower load due to the impact of COVID-19. Water treatment costs are approximately $48,000 lower due to continued efficiency improvements that were described in the 2020 RRA. The 2021 Test Year has factored in the efficiency improvements. These cost reductions are offset by higher electricity costs in 2020 than approved (~$17,000). As described in the RRA, this was due to greater use of feedwater pumps.
Maintenance and related functional Operations	499,108	484,903	(14,205)	This variance is 3 percent and is not considered significant.
Special Services (Regulatory, Audit, Legal, Cons.)	313,215	390,527	77,312	The variance is primarily explained by third-party regulatory costs, which are approximately $123,000 higher than approved. The regulatory cost variance relates to the following: 2019-2020 RRA ($32,000), Long-term Resource Plan preparation ($32,000), Beatty CPCN ($27,000), COVID-19 Deferral Account Application ($14,000) and the Refinancing Application ($13,000). General legal costs are also $11,000 higher than budget. Outside services costs were $51,000 lower than the general budget included in the 2020 RRA.
Other General & Administration & Sales Expense	324,678	268,054	(56,624)	The variance is primarily explained by Director fees which are projected to be $36,000 lower than approved. Creative Energy did hire a third-party director in 2020, but that did not occur until June. As such, a full year allocation of the director's fee was not charged to the Core system in 2020. Office supplies and IT costs are projected to be $17,000 lower than approved.
Municipal Access Fee	280,287	272,599	(7,688)	Municipal Access Fees are a function of revenues and revenues are projected to be lower.
Property Taxes	763,300	763,300	-	Property taxes are actually lower than forecast. The number in this column had not been updated for the actuals as the variance goes to the deferral account and is given back as a credit to customers. Actual property taxes are estimated to be $716K in 2020.

Please note that interest expense, return on equity, income taxes and depreciation are deemed on the basis of rate base and are not provided for the variance explanation.

Item 4: Table 36 – Core System Capital Additions – Detailed explanations for variances between 2020 Approved and 2020 Projected by project.

Please refer to the following two tables, the first presenting an overall summary of the variance by category and the second presenting the requested variance explanations by project within category.

	2020 Approved	2020 Projected	Variance
Total Capital Additions	1,399,055	770,069	(628,986)
Steam Plant	407,000	307,281	(99,719)
Distribution System	559,667	62,589	(497,078)
Customer Building Services	163,868	128,352	(35,516)
Customer Connections	268,520	254,798	(13,722)
Other (Office Electronics)	-	17,049	17,049

	2020 Approved	**2020 Projected**	**Variance Explanation**
Steam Production Plant			
Chemical Handling	100,000	54,010	At the time of the 2021 RRA submission, this project was anticipated to be commissioned by the end of 2020. This expectation has changed to early 2021. The final cost is anticipated to be closer to the budgeted $100K.
Boiler 6 Fan and VFD upgrade	100,000	55,436	Project was completed under budget, the scope of the project changed when the VFD was found to not be in an usable state
Boiler 3 Refractory Front Wall	60,000	5,920	Project was delayed due to COVID-19, only minor repairs were completed in 2020 to temporarily extend the life until the full project can be completed.
Deaerator 3 control valves	60,000	-	Project was delayed due to the impact of COVID-19 on the availability of outside resources.
Softener to Delta V and exterior upgrades	35,000	-	Project had some components completed in 2020 and the remaining will be completed in 2021
Boiler 6 Turbine Overhaul	30,000	-	Project was delayed due to COVID-19 and the related impact on the ability to access contractors / outside resources
Air system upgrade	22,000	31,814	Project was completed over budget due to additional equipment required to be installed for reliability
Oil System	-	123,781	This project was started in 2019 and completed in 2020 to ensure the ongoing operational reliability and efficiency of the fuel oil system long-term. This project was missed being included in the 2019-2020 RRA.
Safety Platforms	-	16,448	New project added and completed to improve safe access to boiler auxiliary equipment
Feed Water Pump	-	15,320	New project added and completed for reliability and operation efficiency
Historical Data System Upgrade		3,370	New project added and completed for reporting quality and control
Other		1,182	Other small projects including insulation upgrades and work on the Concord line
Subtotal	407,000	307,281	

	2020 Approved	2020 Projected	Variance Explanation
Steam Distribution System			
Other	9,667	13,289	
MB-1 Manhole Rebuild	500,000	-	Project was delayed and is included in the 2021 budget
New Vehicle	50,000	-	Vehicle is anticipated to be purchased in 2021
Alberni Loop	-	22,045	Completed in 2019. Costs were not added to rate base until 2020.
MD-3 Sump electrical	-	27,255	New project completed based on need
Subtotal	559,667	62,589	
Building Services			
Meters	50,000	53,933	Annual meter replacement/refurbishment of aging meters, completed
Pressure Reducing Valves	113,868	36,580	This is a timing difference. At the time of the 2020 RRA, some costs that were added to rate base in 2019 were projected to be added in 2020. Actual 2019 additions were $69K compared to $24K forecast for 2019.
650 West Georgia		37,839	This project has been on the capital plan for several years, and never completed. With the room and ability to undertake this project when others were not able to be completed it was justified to perform this project in 2020. This project includes the rebuilding of the PRV station at this customers site, service reliability and asbestos abatement.
Subtotal	163,868	128,352	
Customer Connections			
Vancouver Post Office DPS	70,000	50,000	The overall variance for customer connections is not significantly different. Some projects anticipated to be completed under budget and some over budget. Note that these are still estimates at the time of the RRA submission and are subject to change upon final project closing and completion.
402 Dunsmuir	100,920	128,661	
YWCA	97,600	76,137	
Subtotal	268,520	254,798	
Other (Office Electronics)			
Office Electronics	-	17,249	Office electronics such as laptops are purchased as required. The cost in 2020 is primarily related to the purchase of a new network server for $11K to improve reliability and speed.
Subtotal	-	17,249	
Total	1,399,055	770,069	

For further information, please contact the undersigned.

Sincerely,

Rob Gorter
Director, Regulatory Affairs and Customer Relations